

Docket:	: A.09-12-020
Exhibit Number	: DRA-12
Commissioner	: Peevey
ALJ	: Fukutome
Witness	: Campbell



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Pacific Gas and Electric Company
General Rate Case
Test Year 2011**

2nd Set of Replacement Pages

**Administrative and General Expenses, Part 2 of 4
(Addressing Chapters 8 thru 13 of Exhibit PG&E-6)**

San Francisco, California
July 13, 2010

Revisions to Exhibit DRA-12:

1. p.2 Summary of Recommendation for Corporate Relations Department, FERC Account 923, strike \$5,640,481 and replace with \$5,678,098
2. p.3 Table 2-1 Administrative and General Expenses for TY 2011, Replace DRA Recommended (b) for Corporate Relations Dept. from \$14,066,848 to \$14,570,636 Amount PG&E>DRA (d=c-b) from \$3,788,336 to \$3,284,548 and Percentage PG&E>DRA(e=d/b) from 27% to 23% Also replace Table 12-1 TOTAL DRA from \$80,914,838 to \$75,715,174 Total Amount PG&E>DRA (d=c-b) from \$9,677,261 to \$14,876,925 and Total Percentage from 12% to 20%
3. p.20 Table 12-20 Corrected, Replace 923 Outside Services – Utility Dra recommended from \$5,174,316 to \$5,678,098 Difference from \$1,742,399 to \$1,704,782 and Percentage from 43% to 30% And Replace Totals DRA Recommended from \$14,066,848 to \$14,570,636 Difference from \$3,788,336 to \$3,284,548 and Percentage from 27% to 23%
4. p. 24 Table 12-25 PCC No. 10313. Advertising DRA TY 2011 (b) revised from \$80,000 to \$117,617 Difference from \$165,000 to \$127,383 Percentage from 206.25% to 108%
5. p. 24, Table 12-25 Total, Revised DRA TY 2011 (b) from \$5,640,481 to \$5,678,098. Difference revised from \$1,742,399 to \$1,704,782 and percentage from 31% to 30%.
6. p. 25, Line 8, strike \$165,000 and replace with \$244,919 and strike \$80,000 and replace with \$80.00
7. p.25, Delete Lines 13 and 14 “DRA recommends \$80,000 in TY 2011 for Safety Advertising based on ...” and replace to read as follows:

“DRA recommends \$117,617,000 in TY 2011 for Safety advertising based on a four year average (2005 through 2008). DRA believes that a 4-year average is a reasonable approach to estimating test year expenses for Advertising expense recorded under Account 923 Outside Services. DRA did not include data from years 2004 or 2009 as part of the average because both years are unusual years in comparison with the other year's expense levels.
8. p.25, Table 12-26, 2004-2009 Recorded Data for FERC Account 923, Advertising, Year 2009, strike \$80,000 and replace with \$80.00

- 1 • For the Tax Department, FERC Account 920, 921 and 923, DRA
2 recommends allocating 100% of the Tax Department Cost or \$5,978,103
3 to PG&E Corporation for TY 2011. Therefore, DRA recommends that
4 \$5,978,103 be removed from A&G expenses for the utility.
- 5 • For the Public Affairs Department, FERC Account 920, DRA recommends
6 a forecast of \$5,145,609 compared to PG&E's request of \$5,813,903.
- 7 • For the Public Affairs Department, FERC Account 921, DRA recommends
8 a forecast of \$1,290,815 compared to PG&E's request of \$1,833,080.
- 9 • For the Public Affairs Department, FERC Account 923, DRA recommends
10 a forecast of \$1,090,020 compared to PG&E's request of \$2,324,440.
- 11 • For the Corporate Relations Department, FERC Account 920, DRA
12 recommends a forecast of \$7,481,082 compared to PG&E's request of
13 \$8,436,555.
- 14 • For the Corporate Relations Department, FERC Account 921, DRA
15 recommends a forecast of \$1,411,456 compared to PG&E's request of
16 \$2,035,749.
- 17 • For the Corporate Relations Department, FERC Account 923, DRA
18 recommends a forecast of **\$5,678,098** compared to PG&E's request of
19 \$7,382,880.
- 20 • For the Regulatory Relations Department, FERC Account 920, DRA
21 recommends a forecast of \$11,667,886 compared to PG&E's request of
22 \$13,307,363.
- 23 • For the Regulatory Relations Department, DRA does not take issue with
24 PG&E's forecast of FERC Accounts 921 and 923.

25 **Information Technology Projects**

- 26 • For the Miscellaneous Small Technology Projects, DRA recommends
27 excluding this project from the Finance Organization forecast.
- 28 • For the Enable Regulatory Relations Operations Project, DRA
29 recommends excluding this project from the Regulatory Relations
30 forecast.

Table 12-1 compares DRA's and PG&E's TY2011 forecasts of Administrative and General expenses:

Table 12-1 (Revised 7/13/10)
Administrative and General Expenses for TY2011
(Whole Nominal \$)

DESCRIPTION (a)	DRA Recommended (b)	PG&E Proposed (c)	Amount PG&E>DRA (d=c-b)	Percentage PG&E >DRA (e=d/b)
Finance Organization	\$18,193,738	\$19,703,316	\$1,509,578	8.30%
Controller's Department	\$21,911,211	21,911,211	\$0	0%
Tax Department	\$0	\$5,978,103	\$5,978,103	100%
Public Affairs	\$7,506,204	\$9,971,423	\$2,465,219	33%
Corporate Relations Dept.	\$14,570,636	17,855,184	\$3,284,548	23%
Regulatory Relations Dept.	\$13,533,385	15,172,862	\$1,639,477	12.11%
TOTAL	\$75,715,174	\$90,592,099	\$14,876,925	20%

III. DISCUSSION / ANALYSIS OF PG&E's A&G DEPARTMENT COSTS

A. Overview

DRA conducted an independent analysis of PG&E's A&G expense forecasts in Exhibit PG&E-6, Chapters 8 through 13. DRA analyzed PG&E's application and exhibit, supporting workpapers, PG&E's data request responses, information provided in meetings, and e-mails with witnesses, and attended field trips to PG&E locations. DRA also spoke with PG&E's A&G expert witnesses to discuss findings and questions pertinent to various data requests and responses. DRA analyzed A&G expenses charged to PG&E's utility line of business (LOB). PG&E provided five years of historical data (2004 through 2008) as well as projections for future years and Test Year 2011. PG&E also provided A&G total 2009 recorded adjusted data for year 2009 for the three main FERC Accounts 920 – A&G Salaries, FERC Account 921 – Office supplies and expenses and FERC Account 923 – Outside Services – Utility. PG&E says it arrived at the 2011 Test Year forecasts by having management review the respective department's 2004-2008 recorded amounts, which were then adjusted by removing any one-time and non-recurring costs, and to reflect a high-level reorganization at the PG&E utility. PG&E management then

VIII. DISCUSSION / ANALYSIS OF CORPORATE RELATIONS

This section presents DRA's analysis and recommendations regarding PG&E's A&G expense forecast for its Corporate Relations Department Costs recorded to FERC Accounts 920, 921 and 923. PG&E says its Corporate Relations Department is PG&E's main source of communications to customers, employees, the media and the general public. Corporate Relations' objective is to provide timely and accurate information about PG&E's utility operations and how they serve the public.²²

Table 12-20 compares DRA's recommended with PG&E's proposed A&G expenses estimates for TY 2011.

Table 12-20 CORRECTED (7/13/10)
2011 A&G Expenses
Corporate Relations Department Costs
(Whole Nominal \$)

Description (a)	PG&E Proposed (b)	DRA Recommended (c)	Difference (\$) PG&E > DRA	%
920 A&G Salaries	\$8,436,555	\$7,481,082	\$955,473	13%
921 Office supplies	\$2,035,749	\$1,411,456	\$624,293	44%
923 Outside Services -Utility	\$7,382,880	\$5,678,098	\$1,704,782	30%
TOTAL	\$17,855,184	\$14,570,636	\$3,284,548	23%

A. Overview of PG&E's Request

PG&E says it utilized its historical 2004-2008 recorded expenses and adjusted them by removing any one-time and non-recurring costs to develop its 2011 test year forecast for the Corporate Relations Department. PG&E is requesting a total of \$17.86 million for the test year.

²² Exhibit PG&E-6, Chapter 12, p. 12-1

- PCCs 10304, 14055 & 14056 Internal Communications
- PCC 10311 Corporate Relations

DRA agrees with PG&E's 2011 forecast for the PCCs named above and recommends \$5,640,481 for FERC Account 923 which is \$1,742,399 or 44.23% less than PG&E's 2011 forecast.

Table 12-25 compares DRA's recommended with PG&E's proposed A&G expenses for FERC Account 923 Outside Services.

Table 12-25 CORRECTED (7/13/10)
A&G Expenses
Comparison FERC Account 923 Outside Services
(Whole Nominal \$)

	DEPARTMENT	TY 2011 PG&E (a)	TY 2011 DRA (b)	Difference (a-b)	Percentage
PCC No.	ACCT 923				
20065	CORPORATE RELATIONS SVP	0	0	0	0%
10313	ADVERTISING	245,000	117,617	127,383	108%
12285	CUSTOMER COMMUNICATIONS	2,348,083	2,259,911	88,172	3.90%
10314, 13693	EXTERNAL COMMUNICATIONS	827,949	827,949	0	0%
10304, 14055, 14056	INTERNAL COMMUNICATIONS	1,557,168	1,557,168	0	0%
	ONLINE STRATEGIC COMMUNICATIONS	2,043,573	554,346	1,489,227	268.7%
14024	COMMUNICATIONS				
10311	CORPORATE RELATIONS	361,107	361,107	0	0%
TOTAL		7,382,880	5,678,098	1,704,782	30%

1. DRA's Adjustment to PCC10313– Advertising Department – FERC Account 923 Outside Services

PG&E's Advertising Department is responsible for delivering information to customers by different mass market communication channels. These channels may include television, radio, print, online and community outreach programs and events. PG&E says its advertising features many of the forms of renewable energy including solar, wind, wave and methane capture from livestock. PG&E says this department also engages in safety-related advertising during critical weather periods.²⁴

²⁴ Exhibit PG&E-6, Chapter 12, p. 12-12

PG&E's Advertising Department's costs are allocated 100 percent below the line, with the exception of storm and safety advertising which is charged 100% to PG&E-Utility.²⁵

DRA reviewed PG&E's historical expenses and test year estimate for Safety related advertising which is funded by the utility ratepayers. Historical expenses for PG&E's - Safety advertising recorded in Account 923 - PCCs 10313 fluctuated significantly in the past years, PG&E has not justified its forecast of \$245,000 for TY 2011, which is \$244,919 higher than 2009 expenses level of \$80.00²⁶

PG&E indicates in a data response that expenses for Storm and Safety Advertising is the same for all years 2008 through 2010.²⁷ However, PG&E only spent \$54,670 out of the \$241,000 forecast amount for year 2008 for safety advertising.

DRA recommends \$117,617,000 in TY 2011 for Safety advertising based on a four year average (2005 through 2008). DRA believes that a 4-year average is a reasonable approach to estimating test year expenses for Advertising expense recorded under Account 923 Outside Services. DRA did not include data from years 2004 or 2009 as part of the average because both years are unusual years in comparison with the other year's expense levels.

Table 12-26 CORRECTED (7/13/10)
2004-2009 Recorded Data for FERC Account 923
(Whole Nominal \$)

Description	2004	2005	2006	2007	2008	2009
Advertising Account 923	\$305,805	\$85,000	\$160,189	\$170,609	\$54,670	\$80
Total	\$305,805	\$85,000	\$160,189	\$170,609	\$54,670	\$80

Source: 2004-2008 data from Exhibit PG&E-6, Workpapers Supporting Chapter 8, WP 8-48. 2009 data from DRA-146-MCL answer to Question 1.

²⁵ DRA-146-MCL, response to Question 2

²⁶ DRA-146-MCL, response to Question 1

²⁷ DRA-049-MCL response to Question 2